

IN THE MATTER OF:

**WESTERN HOME MORTGAGE
CORPORATION,**

Respondent.

BEFORE THE MARYLAND

COMMISSIONER OF

FINANCIAL REGULATION

SETTLEMENT AGREEMENT AND CONSENT ORDER

This Settlement Agreement and Consent Order (the "Agreement") is entered into this 27 day of May 2010, by and between the **MARYLAND COMMISSIONER OF FINANCIAL REGULATION** (the "Commissioner") and **WESTERN HOME MORTGAGE CORPORATION** (the "Respondent"). The Commissioner and the Respondent (the "Parties") consent to the entry of this Agreement as a final resolution of this matter. All paragraphs below are intended to be part of the contractual obligations of the Parties hereto, so far as they may be so construed, and are not mere recitals to this Agreement.

1. Pursuant to the Maryland Mortgage Lender Law ("MMLL") (Annotated Code of Maryland, Financial Institutions Article ("FI") § 11-501 *et seq.*), the Commissioner is responsible for licensing and examining, *inter alia*, all mortgage lenders, brokers, and servicers engaged in business activities pertaining to residential real property located in the State of Maryland (the "State").

2. During all periods relevant hereto, the Respondent was duly licensed as a Maryland mortgage lender pursuant to the MMLL (License No. 06-6438) which license expires on November 6, 2010.

3. The Commissioner completed a compliance examination of the Respondent on

or about September 9, 2008, and issued Examiner's Findings in connection therewith on or about March 3, 2010 (the "Findings"), a copy of which is attached hereto and incorporated herein by reference. As a result of the compliance examination, the Commissioner determined that the Respondent failed to provide to certain borrowers, listed in the Findings, a proper written finders fee agreement, as required under Md. Comm. Law Code Ann. ("CL") § 12-805(d)(2). Further, the Commissioner concluded that the Respondent failed to provide certain borrowers, listed in the Findings, with Financing Agreements as required under CL § 12-125. Further, the Commissioner found that certain loan files, specifically listed in the Findings, contained insufficient proof that monies collected from borrowers by Respondent, which was to be paid to third party service providers, were actually paid to those service providers and not retained by Respondent. Further, the Commissioner found that Respondent had used an unlicensed fictitious name and that certain unlicensed loan originators, specifically listed in the Findings, had engaged in loan origination activities. Further the Findings enumerate that Respondent failed to properly respond to the Commissioner's pre-examination Management Questionnaire in that Respondent failed to provide an accurate listing of Maryland loans made during the relevant examination period. Further, the Commissioner found that the Respondent failed to provide proper federal Truth-in-Lending and Good faith Estimates documents within prescribed times.

4. The Respondent does not admit to the alleged violations set forth above, but acknowledges that the Commissioner could bring administrative charges against Respondent and, potentially, against respondent's principal, Thomas Dugan. The Respondent and Thomas Dugan wish to resolve the alleged violations without the need for administrative proceedings or other legal proceedings, and to avoid the costs associated with such proceedings and any

potential appeals, and therefore agree to resolve this matter fully, finally, and completely without administrative charges being filed or administrative proceedings commenced, or an administrative hearing or injunction, and further accept without condition, and fully agree to abide by, each and every term set forth in this Agreement. Further, the Respondent has ceased all business operations, has no appreciable assets, and is in the process of dissolving as a corporate entity.

5. The Commissioner desires to avoid the costs to the taxpayers of an administrative hearing and any potential appeals.

6. The Respondent has agreed to take each and every one of the following actions in exchange for a final resolution of this matter:

a. Immediately upon execution and delivery of this Agreement, Respondent will pay a civil money penalty of TWELVE THOUSAND DOLLARS (\$12,000), and an investigation fee of THREE THOUSAND DOLLARS (\$3,000), for a total payment of FIFTEEN THOUSAND DOLLARS (\$15,000), by check made payable to the "Commissioner of Financial Regulation."

b. The Respondent will surrender its Maryland Mortgage Lender License to the Commissioner and cease any and all mortgage activity in this State, and agrees not to reapply for a license to engage in mortgage lending, mortgage brokering, or mortgage servicing in Maryland, forever.

7. Thomas Dugan, in his individual capacity, also agrees not to apply or reapply for a license to engage in mortgage lending, mortgage brokering, mortgage servicing, or mortgage origination in Maryland, forever.

8. The Commissioner agrees that, so long as Respondent and Thomas Dugan do

not violate the terms of this Agreement and Order, the Commissioner will not undertake any enforcement action against the Respondent or against Mr. Thomas Dugan arising from the alleged violations as set forth in the Findings, but that in the event that either the Respondent or Mr. Thomas Dugan violates any of the terms of this Agreement and Order, then the Commissioner may file appropriate charges based upon the Findings against either the Respondent or Mr. Thomas Dugan, or against both of them.

9. The Respondent and Mr. Dugan acknowledge that they have voluntarily entered into this Agreement with full knowledge of Respondent's right to a hearing, pursuant to the MMLL and the Maryland Administrative Procedures Act (Annotated Code of Maryland, State Government Article ("SG") § 10-201 *et seq.*), arising from any charges which could have been instituted by the Commissioner based on the alleged violations set forth in the Findings, and that the Respondent hereby waives its right to a hearing. The Respondent and Mr. Dugan further acknowledge that they have had an opportunity to consult with independent legal counsel in connection with this waiver of rights and with the negotiation and execution of this Agreement and Order, and that the Respondent has, in fact, consulted with independent legal counsel concerning this matter and the settlement thereof.

10. The Parties hereto agree that this Agreement shall be binding and enforceable in court by the Commissioner and by the Respondent and Mr. Thomas Dugan, shall be admissible in court, and shall be binding upon and inure to any of the Respondent's present and future owners, members, officers, employees, agents, successors, and assigns.

11. The Parties hereto agree that any notices hereunder shall be effectively "delivered" when sent via overnight delivery or certified mail as follows:

a. To the Commissioner:

Commissioner of Financial Regulation

500 North Calvert Street, Suite 402
Baltimore, MD 21202-3651
ATTN: Mark Kaufman, Deputy Commissioner

Copy to:
W. Thomas Lawrie, Esq.
Assistant Attorney general
Office of the Attorney General
500 North Calvert Street, Suite 406
Baltimore, MD 21202-3651

b. To Respondent and Mr. Thomas Dugan:

Western Home Mortgage Corporation
C/O Thomas Dugan
12 Boardwalk
Newport Beach, CA, 92660

Copy to:
J. Steven Lovejoy, Esq.
40 West Chesapeake Avenue, Suite 605
Towson, MD 21204

NOW, THEREFORE, it is, by the Maryland Commissioner of Financial Regulation,
hereby

ORDERED that the Respondent shall adhere to all terms of this Settlement
Agreement and Consent Order; and it is further

ORDERED that the Respondent shall immediately surrender its Maryland Mortgage
Lender License and cease any and all mortgage activity in this State; and it is further

ORDERED that, in the event the Respondent, or any of the owners, principles,
directors, officers, managers, members, employees, or agents of the Respondent, violate any
provision of this Settlement Agreement and Consent Order, or otherwise engage in the
activities which formed the basis for the allegations set forth above, the Commissioner may,
at the Commissioner's discretion, take any actions available under FI § 11-517 and FI § 2-
115(b), as well as take any other actions as permitted by, and in accordance with, applicable

State law; and it is further

ORDERED that this matter shall be resolved in accordance with the terms of this Settlement Agreement and Consent Order and the same shall be reflected among the records of the Commissioner of Financial Regulation; and it is further

ORDERED that this document shall constitute a Final Order of the Maryland Commissioner of Financial Regulation and, although the Respondent does not admit to the alleged violations set forth above, nevertheless, the Commissioner may consider this Settlement Agreement and Consent Order and the facts set forth herein in connection with, and in deciding, any action or proceeding before the Commissioner; and that this Settlement Agreement and Consent Order may, if relevant, be admitted into evidence in any matter before the Commissioner.

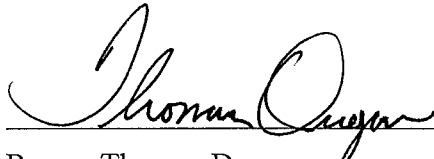
It is so **ORDERED**.

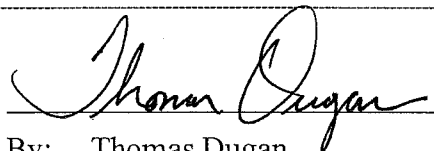
IN WITNESS WHEREOF, this Settlement Agreement and Consent Order is executed on the day and year first above written.

MARYLAND COMMISSIONER OF
FINANCIAL REGULATION


By: Mark Kaufman
Deputy Commissioner

WESTERN HOME MORTGAGE
CORPORATION


By: Thomas Dugan President


By: Thomas Dugan
Individually